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This week's cover:

Prize cattle parade at Argentina's prestigious Palermo Livestock and Industrial Exposition. Held every other year, the show assembles purebred cattle, sheep, pigs, and horses from all over the world. Argentina's cattle industry, vital to its economy, has been suffering from tight supplies (see story p. 5).

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Can Argentina Regain Its Share of the World

By JAMES P. RUDBECK
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Buenos Aires

Argentina, which has ranked among the world's major wheat exporters during most of this century, now holds a diminishing position in world wheat trade. This is mainly because of lowered production resulting from a shift of land to more remunerative crops or to pasture. Since no changes are foreseen in present wheat policies or world market price relations between wheat and feedgrains, Argentine farmers seem unlikely to turn back to wheat production. Thus prospects for substantial export recuperation are dim.

In 1965–66, world wheat and flour trade reached a record level as did Argentine exports. The United States, Canada, Argentina, the European Community (EC), Australia, and the Soviet Union accounted for about 97 percent of world movements, with Argentina's share of the world total at a peak of 12.6 percent.

Production of Argentine wheat in the sixties was boosted in response to rising world import demands: Argentina was able to benefit from the large markets that emerged in Mainland China and the Soviet Union, as well as to expand its exports in some European markets. However, with a decline in world wheat imports, a relative rise in feedgrain prices, and faster gains in per-unit feedgrain output, wheat lost both its relative and absolute importance.

By 1970–71, the volume of shipments from Argentina had fallen by 80 percent and Argentina's share of world trade had dwindled to less than 3 percent.

This season's wheat harvest (November 1971-January 1972), was estimated in mid-December by the Argentine Ministry of Agriculture at about 5.2 million metric tons.

EXPORT VOLUME AND VALUE OF TOTAL GRAINS, WHEAT, AND CORN AND SORGHUM

Year	Total grain		Wheat		Corn and sorghum	
	Volume	Value	Volume	Value	Volume	Value
	1,000 metric tons	*Million U.S. dollars*	*1,000 metric tons*	*Million U.S. dollars*	*1,000 metric tons*	*million U.S. dollars*
Average:						
1963-65 ..	8,056	450	4,069	244	3,306	167
1966-68 ..	8,034	422	3,186	180	4,313	215
Annual:						
1969	8,190	411	2,345	138	5,361	248
1970	9,974	498	2,302	126	7,196	345
1971 [1] ...	9,540	540	805	50	8,375	470

[1] Partially estimated.
Comercio Exterior.

Regain Its Former

World Wheat Market?

Modern grain elevator at Quequén.

Although this is nearly 1 million tons or 22 percent above last year's output, the volume remains 41 percent below the 1963–65 average and 19 percent under the 1966–68 average.

An output of 5.2 million tons should provide an export surplus of about 1 million tons, or possibly as much as 1.4 million if the final production figure is higher than estimated or stocks are drawn down. This would be an improvement over the 1970–71 level of exports, which stood at only 845,000 tons. However, the increase would be only marginal in relation to world trade and would not be an important competitive factor except in such traditional markets as Brazil or Chile.

Argentina exports two classes of wheat—common or bread wheat and durum. Durum wheat (Triticum durum) is a distinct species used principally to manufacture pasta products (see *Foreign Agriculture*, Mar. 30, 1970). Argentine durum moves mainly to Italy. Exports in 1970–71 were 522,000 tons—62 percent of Argentina's total wheat exports. Despite the overall decline in wheat shipments, durum exports generally have been firmer than those of bread wheat, varying between a high of 689,000 tons and a low of 282,000 and averaging 459,000 over the last 8 years. Argentina consistently has maintained third position behind the United States and Canada in durum exports.

The 1971–72 export availability of durum (calculated on the basis of a registered carryover of 137,000 tons, plus an unofficial production estimate of 450,000 tons, less domestic requirements and ending stocks of 137,000 tons) probably will be about 450,000 tons, down from last year's export volume of 522,000, and the 587,000 exported in 1969–70. Thus, the marginal increase in the total potential export volume will be in bread wheat—estimated at 750,000 tons, compared with 323,000 tons exported in 1970–71.

The additional bread wheat will help to meet existing bilateral export commitments with Brazil and Chile. However, since these commitments total up to 1.2 million tons for calendar 1972, it seems they can be met only through compensatory imports, or early deliveries of next year's crop, or both.

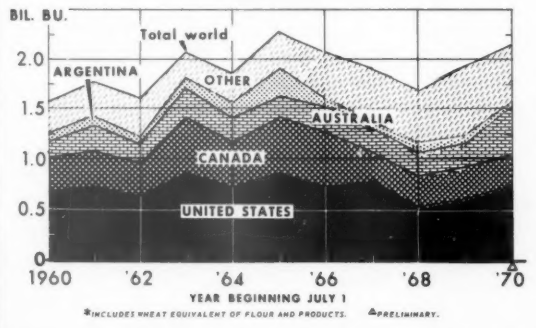
Wheat plays an important role in Argentina's bilateral trade with Brazil. Since the late fifties, the two countries have maintained bilateral trade agreements that have included the movement of 1 million tons of Argentine wheat annually. Argentina often has been unable to supply the full amount and was able to sign a contract for only 150,000 tons for final-quarter delivery in 1971. However, this contract and a renewed agreement for up to 1 million tons in 1972 included a revised pricing formula that provided a very favorable price for Argentina.

As of early March 1972, firm export commitments for 1971–72-crop bread wheat included a limited volume against the final-quarter 1971 contract with Brazil; first- and second-quarter 1972 contracts, also with Brazil, for 500,000 tons; and about 75,000 tons in sales by the private trade made prior to the suspension in December of bread wheat sales outside of bilateral agreements. Most of the private sales were to Italy.

Argentina's diminishing position in world wheat trade has resulted mainly from a shift in resources to other, more remunerative crops and the reversion of some land to pasture. Weather also has been a factor during the last 2 years as droughts at planting time limited or delayed sowing. However, the lack of adequate moisture was significant only in the western or marginal areas of the wheat zone, and not in the more productive central and southern regions.

While land devoted to wheat production has declined, the total acreage planted to all grains has increased; in 1968 it

WORLD EXPORTS OF WHEAT AND FLOUR,* BY COUNTRY



SUPPLY AND DISTRIBUTION OF ARGENTINE WHEAT

Marketing year [1]	Area		Supply				Domestic distribution			Exports	Ending stocks [2]
	Planted	Harvested	Yield	Production	Beginning stocks [2]	Total [3]	Milling [4]	Seed and other	Total		
Average:	*1,000 acres*	*1,000 acres*	*Bu. per acre*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
1963-65 ..	15,236	13,519	23.8	8,760	2,019	10,779	3,113	533	3,646	5,142	1,991
1966-68 ..	16,131	13,889	17.0	6,436	765	7,386	3,238	932	4,170	2,308	908
Year:											
1969	15,417	12,827	20.1	7,020	850	7,870	3,360	626	3,986	2,284	1,600
1970 [5]	10,381	8,233	19.0	4,250	1,600	5,850	3,635	520	4,155	845	850
1971 [6]	11,863	10,223	18.7	5,200	850	6,050	3,600	500	4,100	1,200	750

[1] Marketing year beginning Dec. 1. [2] Estimated stocks in all positions, including estimates of farm stocks. Since 1966, commercial or registered stocks were in 1,000 metric tons as follows: average 1963-65 ending 1,909; average 1966-68 beginning 476, ending 528; 1969 beginning 331; 1970 beginning 780; 1971 beginning 674. [3] Includes imports in 1966, 1967, and 1968. [4] Mill purchases including some wheat which was eventually exported as flour. [5] Preliminary. [6] Forecast.

Sources: Area, yield, and production data—Ministry of Agriculture; registered stocks, mill purchases, exports—National Grain Board.

broke the record of 1937. The result has been both an absolute and relative retrogression in the importance of wheat in Argentina.

Wheat accounted for 50 percent of the total grain area harvested during the 1963–65 period. However, in the most recently completed season, 1970–71, wheat accounted for only 31 percent of the harvested area. At the same time, total grain production rose from 18.2 million tons to an alltime high of 21.8 million tons in 1969–70. Although it dipped to 19.9 million tons in 1970–71, it still was higher than in any season except the preceding one. When wheat exports are compared with total grain exports, it is obvious that the shifts to other grains have caused Argentina to maintain both the volume and value of total grain exports.

The shift away from wheat has moved principally toward the production of corn and grain sorghum. Yields of these two competing crops have been increasing at a rate that more than compensates for their sometimes lower market prices and slightly higher production costs. Thus, total returns per unit for both corn and grain sorghum have been rising in relation to those of wheat, making these crops more remunerative.

The shift away from wheat, however, has had some limits. First, wheat is used in rotational patterns to reduce weed infestation; second, it still remains the strongest summer cash crop; and third, it is planted prior to sunflowerseed as a hedge against the risks involved in sunflowerseed production.

In addition, the shortness of the growing season in the wheat zone of south Buenos Aires Province prevents a large-scale switch to the currently available varieties of corn, while inadequate moisture limits the extension of corn to the west.

Sorghum, on the other hand, has proved suitable for the western areas because of its strong resistance to drought and its dual-purpose use—for both grain and pasture. A lack of seed has been one of the major limitations to greater sorghum expansion.

Skyrocketing cattle prices during the past year and a half caused by inadequate herd size in relation to both domestic and export demands for beef have resulted in herd replenishment. More resources are being needed to support the growing herds. Most likely some land is being taken from wheat production since many of the larger cattle-fattening operations are in the western wheat zone.

Nevertheless, the desire to boost wheat exports remains. Wheat represents an important export item to counter the generally greater leaning toward imports in recent years. This propensity has been fueled by a lack of many basic industrial resources and rapidly rising internal prices that have made imports "good buys" in relation to many domestic items. Argentina would like to boost total exports. However, wheat has had a traditional position in total trade and, more importantly, in trade with other South American countries. Argentina's declining trade balance with Brazil is caused mainly by its lack of exportable wheat. This same lack has caused a loss in trade leverage with such other South American countries as Chile and Peru.

Policies for increasing wheat production generally have been inadequate. In fact, policies have, in many ways, been contrary to stimulating higher agricultural output.

Internal wheat policy has been limited to annual adjustments in support prices to compensate for rising costs and to purchases of wheat by the National Grain Board to defend these prices. However, support prices often are announced after planting has commenced, too late to have any appreciable influence on producers. Also the Grain Board

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Laboratory technician tests fat content of wheat.

Argentine Beef Prices Soar—Supplies Continue Tight

By SHACKFORD PITCHER
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For many years Argentina has been the world's leading beef exporter as well as a large consumer of beef at home. However, in 1971 production dropped sharply, prices shot upward, controls pushed domestic consumption down, and exports fell.

The situation is continuing in 1972 with beef rationing and price controls in the Argentine domestic market and, as yet, only a partial recovery in exports.

Beef production went into a slump during late 1970 and continued down in 1971, reaching its lowest level in 6 years. The slump came after output had reached record levels during 1969 and had continued at a high rate until mid-1970.

Argentine beef and veal production totaled an estimated 4.5 billion pounds in 1971, 21 percent less than in 1970. About 9.8 million head of cattle and calves were slaughtered, 3 million head fewer than were killed in 1970 and about 900,000 below the 1961-65 average. This sharp decline is attributed mainly to the drop in available supplies caused by the very heavy slaughter of steers and heifers during 1969 and early 1970. Slaughter of breeding stock during this period was not unusually high, thus indicating no systematic liquidation of breeding herds.

In the first half of 1971 there was a foreseeable reaction to a strong increase in cattle prices—a reduction in shipments to market of steers, cows, and heifers, as cattlemen moved to build total herd numbers. This continued through most of the second half of 1971.

Slaughter during the fourth quarter of 1971 reached an estimated 2.5 million head, exceeding, for the first time in 1971, slaughter during a comparable quarter of a year earlier. Steer prices, which had increased steadily since March, finally stabilized in October and even dropped in November. This situation led to undue optimism among authorities that supplies had returned to normal and they could expect only a moderate price increase during 1972.

This optimism was shortlived, however. The current situation is best characterized by the skyrocketing cattle prices during January 1972, with prices for export-type steers averaging 19 percent higher than a month earlier. By the end of January, prices had reached a high of $19.10 per 100 pounds (at the composite exchange rate) although recent quotations indicate an easing off to about $17.00. Less than 2 years ago, steer prices were only about $9.50 per 100 pounds, a typical price for quite a while.

Credit policies in Argentina generally provide for large amounts of additional credit to beef producers when beef prices are high. This reinforces the price cycle by increasing liquidity in the beef industry and allowing prices to be pushed even higher.

The current situation has compounded the difficulties being experienced in the packing industry. In recent years, the structure of this industry has changed somewhat. Some slaughter is shifting from older large export plants to newer, more modern plants built or remodeled to handle slaughter for both export and local consumption. In addition in recent months farm-type slaughter has risen sharply—possibly as much as double the normal annual rate of 300,000 to 400,000 head.

Several of the traditional export packing plants are operated by international companies. They have been having hard times for several reasons. These include: Increasing costs associated with more stringent demands by meat inspection authorities in importing countries; the changing character of finished products; and rising expenses for processing and marketing their products. This last has been caused by increasing interest rates and greater financial requirements because of competition in a sellers' market for cattle, dominated by a very strong domestic demand.

The changing financial situation has struck the entire industry and many companies have run into severe financial difficulties; in some cases firms had to discontinue their operations or sell out

Buyers examine cattle in the stockade at the Liniers auction market.

Cattle roundup on the Argentine Pampas.

to avoid bankruptcy. Argentine authorities have responded by making loans and offering other financial relief and assistance to a number of meat packers. However, the assistance was made available to Argentine-owned firms only, creating even greater hardships for some of the internationally owned firms.

In early 1971, the Argentine Government took various actions to arrest cattle price increases. One such action was the creation in March of a tax on market steers of 50 to 100 percent of the difference between a guide price and the actual market price. The net effect of this measure seemed to be to encourage cattlemen to withhold deliveries of cattle to the major Argentine livestock market at Liniers. This increased rather than lessened the pressure on prices. The tax soon was abandoned and it is not clear how much, if any, of it was ever collected.

Coinciding with the attempt to check rising prices, was the imposition in March 1971 of an alternate weekly ban on sales of beef in the domestic market. Since Argentina has one of the highest levels of beef consumption in the world, with about three-fourths of its beef and veal production being consumed domestically, this action has had a profound impact on domestic consumption. Per capita consumption dropped 21 percent in 1971 from about 185 pounds to 146. The ban continues in effect after having been lifted for a short period last July and during the 1971 Christmas holidays. It was lifted again in March 1972 as cattle prices at Liniers market exceeded 125,000 head in 10 marketing days.

At the end of January 1972, the Argentine Government set maximum retail prices for common beef cuts and relaxed price ceilings on the more expensive cuts. This action superseded an official resolution, made 2 weeks earlier, which established maximum prices for nearly all beef cuts, both wholesale and retail.

This most recent action to curb beef price rises was brought about because of beef's effect on the food component in the cost-of-living index. Inflation in 1971 measured by this index was 39 percent. In January 1972, the cost-of-living index rose an estimated 11 percent. Since beef, with 15 percent, is a leading item in the index, variations in its price have far-reaching political and economic consequences.

The 1971 value of beef and veal exports, at about $351 million, was slightly below the 1970 value because of strong world prices; these strong prices were caused partly by the Argentine supply situation. The volume of beef exports, at 674 million pounds (product weight) was off 33 percent.

Most of Argentina's chilled and frozen beef exports go to Europe, particularly the European Community (EC) countries. Argentina is committed to maintain an adequate, regular, and increasing supply of beef to the EC under a recently-signed EC-Argentine trade agreement. (See article on page 15 of this issue.) Preliminary data indicate that 45 percent of Argentina's 1971 shipments of chilled and frozen beef went to EC countries.

Most processed beef items from the Argentine are shipped to the United States. Traditionally, over 40 percent of Argentina's canned corn beef and 80 percent of its cooked frozen beef have been exported to the United States. U.S. imports of canned corned beef in 1971 totaled 27.3 million pounds, off 53 percent from 1970; imports of frozen cooked beef, totaling 42.4 million pounds, were 26 percent below 1970 imports.

The United States does not import chilled or frozen beef from Argentina or from anywhere in South America because foot-and-mouth disease is endemic to the area. U.S. regulations permit only fully cooked meats from foot-and-mouth disease countries.

The outlook for export recovery during 1972 depends in part on the success of measures to control domestic utilization and to motivate producers to market more cattle. Recent measures toward this end include income tax revisions putting a premium on early slaughter, a reduction in the slaughter tax, and limiting slaughter during the weeks when beef may be sold domestically to 80 percent of the rate during a selected 2-week base period in October 1971.

Some beef product exports are being promoted by a more favorable exchange rate—a combination of the official rate and the financial rate, which currently is about 90 percent above the official rate. These items include cooked frozen beef, canned corn beef, and hindquarter cuts.

Exchange earnings from other cuts and manufacturing meat are made from

(Continued on page 17)

Beef and Grain Potentials of Argentina Mixed in Outlook

By JOHN E. HUTCHISON
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From 1965 to 1969, Argentina supplied an average of 22 percent of the world's exports of fresh, chilled, or frozen beef, 13 percent of the canned meat, 13 percent of the corn, 7 percent of the wheat and flour, and significant quantities of grain sorghum, small grains, vegetable oils, fruits, and other agricultural commodities.

Yet, in 1971, Argentine beef production fell and exports dropped sharply. Big reductions were also experienced for wheat production and exports. In the current year, 1971-72, wheat production will be up, while corn and sorghum production may be down sharply from previous record highs.

Many factors, including world price levels, weather conditions, cycles in cattle numbers, and Government policies, have historically influenced the fluctuating production patterns of Argentina. Given these historical patterns, what role will Argentina's vast agricultural potential play in the future?

An answer, or at least an estimate, to this vitally important question was the subject of a recently completed study by the USDA's Economic Research Service. The study considered the grain and livestock production potentials of Argentina in the first half of the 1970's, and included such factors as prices, resource availability, and possible technological innovations.

Several sets of projections were produced: one assumed that 1970 price levels for grain and livestock would remain in effect through 1975; the second assumed that grain prices would decline by 15 percent from 1970 levels.

If grain prices remain at 1970 levels until 1975, wheat production should increase from 7.0 million tons in 1969-70 to 7.6 million tons in 1975. This estimate is based on expansion of planted wheat area from 6.2 million hectares to 6.7 million hectares (80 percent harvested), and a slight increase in yields, from 1.35 to 1.40 tons per hectare.

Corn production would also increase, from 9.4 million tons in 1970 to 10.2 million tons in 1975. Area planted in corn was assumed to rise from 4.7 million hectares to 5.0 million hectares, while yields increase from 2.3 to 2.4 tons per hectare.

Grain sorghum production may increase from 3.8 million tons in 1970 to 5.1 million tons in 1975, due to an expansion of area planted, from 2.6 to 3.4 million hectares (75 percent of which would be harvested). Yields are expected to remain at present levels—2 tons per hectare—since expansion of sorghum acreage will probably include drier, marginally productive land.

Projections for beef production assumed a continuation of a 6-year cycle which has historically dominated Argentine beef herds. This cycle is due partly to a 3-year lag of production behind price movements: thus, prices in 1972 would most heavily influence beef production in 1975.

At 1970 prices for beef (which were not appreciably above trend), and allowing for the cyclical pattern, beef production should reach 2.64 million tons—compared to 2.61 million tons in 1970. (This projection represents about 13 million head of cattle, with an average carcass weight of 204 kg.—approximately 450 lb.—per animal.)

How much grain and beef will Argentina be able to offer on world markets by 1975? Estimations for 1975 export availabilties are as follows: 3.3 million tons of wheat; 6.6 million tons of corn; 3.2 million tons of sorghum; and 630,000 tons of beef. These estimates would represent a record postwar export level for corn, a record level for sorghum, and about recent (1965-69) average levels for wheat and beef.

If grain prices fall by 15 percent by 1975, wheat production should fall to 6.0 million tons; corn should slip slightly, to 9.2 million tons; and sorghum should decrease to 4.7 million tons (compared to the projections under 1970 prices). These production estimates are 21, 10, and 8 percent below the production projections made under 1970 prices.

Although lower grain prices would depress the production of grains, they would stimulate beef production through the expansion of improved pastures and the use of more grain forage. These factors would allow 1975 beef production of about 2.76 million tons, which is about 4.5 percent above the projection made under continued 1970 grain prices.

Export availabilities under the assumption of lower grain prices are: wheat, 1.7 million tons; corn 5.3 million tons; sorghum, 2.5 million tons; and beef, 750,000 tons. These export levels represent a decrease of 40, 20, and 22 percent for the three grains, and a 19-percent gain for beef, compared to the projections made under constant 1970 prices.

Both sets of assumptions—one assuming grain prices will be stable, the other assuming grain prices will fall—have as an additional assumption that prices of beef will continue along 1970 price trends. However, beef prices in 1971

Based on a comprehensive Economic Research Service study, "Growth Potential of the Grain and Livestock Sectors of Argentina," by J. Hutchison, F. Urban, and J. Dunmore. The study is currently under review and will be published in the near future. Inquiries may be addressed to Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

rose above 1970's already high levels, to a point above any projected trend line.

Since these high 1971 prices could be a new price level, additional projections were calculated which assumed higher beef prices. Under the highest price assumption, beef exports could reach, and exceed, 1 million tons by 1974 or 1975, but only with continued Government efforts to restrain domestic consumption. Such a level of exports would be about 50 percent above the late 1960's level of about 650,000 tons annually.

Projection limitations. Although it was assumed that producers adjust their production plans according to changes in relative price levels, statistical measurements of this adjustment in Argentina could not be identified for grains. Beef price responses were obtained, but the results were not entirely conclusive. Cross-price responses for beef and grain were also not possible to measure.

This lack of statistical measure of supply response is due to nonprice factors which seem to dominate production patterns and to hide price effects. Among these are weather, especially too little or too much rain and early or late frost—which drastically influences planting and harvesting decisions and cattle marketings.

In addition, domestic and international marketing uncertainties, changes in Government policies, export taxes, and foreign exchange rates—all tend to further obscure producers' reactions to price changes.

Production patterns and practices. Argentine crop and livestock production is concentrated in the Pampas region: this rich plain yields over 90 percent of the nation's grain and oilseed output and about 80 percent of its livestock production.

Joint grain-livestock enterprises dominate the agricultural production of the Pampas. Such mixed enterprises help to reduce the risk of operation: grain serves as a cash crop as well as emergency forage for cattle. In normal weather, most grain area is harvested as a cash crop; during drought, however, wheat and small grain serve as extra feed during the spring months, while sorghum and corn are used in the fall. This need to maintain minimum emergency forage for cattle assures that some grain will be planted, regardless of price levels for grain.

During the last two decades, production of grain sorghum and corn increased; that of barley, rye, and oats decreased; while wheat production fluctuated widely, showing no discernible trend. Much of the increase in production was due to increased areas planted in grain.

Some of the increases in grain area may have been at the expense of oilseeds. Sunflowerseed, flaxseed, and peanuts are not used as animal forage, and thus cannot serve in the dual role of cash crop and cattle pasture. Areas planted in oilseeds declined by about 300,000 hectares during the 1960's, and yields failed to show any improvement. Sunflowerseed production, which is a second crop following wheat, seems in a better competitive position than either flaxseed or peanuts.

Grain production is relatively mechanized, even though equipment costs are high. Improved seeds dominate wheat and corn plantings, but are little used for other grains. Fertilizers are still hardly used for grain and pasture, primarily because of high costs and a lack of experimentation on responses in the poorer soils. Insecticides are also rarely used, while herbicides are confined mostly to corn production.

Meat production grew at an annual rate of 1.9 percent during the past two decades. Pork production expanded slightly faster than that of beef, while mutton production has been stable. Beef production still accounts for 84 percent of Argentina's total meat production.

The increase in meat production has been due to the expansion of grazing lands and to pasture improvements in the Pampas region. At the same time, improvement in the carrying capacity of pastures has been slow.

At present, most cattle breeding and fattening are carried out on the open range, with almost no supplementary feeding. This pattern is likely to continue as long as the relative price ratios of grain and feed remain at present levels; in addition, considerable technical and managerial experience would be needed to shift production to grain-fed beef. No major movement in this direction is expected through 1975.

No major breakthroughs in technology are expected through 1975. New varieties of seeds or breeds should have little impact on production. Any gains in production will come from more intensive use of land, better management, and a gradual adaptation of available technology. No significant quantities of new land will be brought under cultivation. Technology and land now available, if fully utilized, would be sufficient to increase production far above projected levels, but such intensive use is not likely by 1975.

ACTUAL AND PROJECTED PRODUCTION, EXPORTS, AND EXPORT AVAILABILITIES FOR ARGENTINE WHEAT, CORN, SORGHUM, AND BEEF

Item and year [1]	Wheat	Corn	Grain sorghum	Beef
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
PRODUCTION				
Average:				
1960-61 to 1964-65	7,165	4,984	1,144	2,229
1965-66 to 1969-70	6,481	7,564	2,342	2,579
Annual:				
1969-70	7,020	9,360	3,820	2,883
1970-71	4,250	9,930	4,660	2,610
Projected, 1975:				
Under 1970 price assumption	7,600	10,200	5,100	2,640
Under 15 percent lower grain prices	6,000	9,170	4,700	2,760
EXPORTS				
Average:				
1960-61 to 1964-65	3,111	2,689	410	552
1965-66 to 1969-70	2,950	4,202	1,097	661
Annual:				
1969-70	2,284	5,432	1,703	768
1970-71	800	6,000	2,500	648
Projected, 1975:				
Under 1970 price assumption	3,320	6,590	3,160	630
Under 15 percent lower grain prices	1,720	5,290	2,470	750

[1] Crop year basis for grains, calendar years 1961-65, 1966-70, 1969, and 1970 for beef.

Climate, Soil, and Government Policy Mold Argentina's Agriculture

Argentina is about the size of the United States east of the Mississippi River. About two-thirds of its area is used in farms. The country stretches 2,300 miles—from subtropical forests in the north to Antarctic tundra in the extreme south—which allows considerable variation in its agriculture. Precipitation is the key factor: about 24 percent of the land is considered humid; 15 percent, semiarid; and 61 percent, arid.

This rainfall pattern, combined with a varied topography, divides Argentina's agriculture into six distinct regions. The **Northeast** region is characterized by a hot, humid climate which produces citrus and other fruits, tea, rice, tung nuts, and tobacco. The **North** region is the major cotton growing area, with production centered around Roque Saénz Peña. This area also produces tropical fruits and quebracho bark.

The **Northwest** is largely an arid tableland except around Tucumán and Santiago del Estero. Sugarcane, vegetables, and tobacco are cultivated here, and farther west also citrus fruit and grapes.

The **Cuyo** region in the west is generally dry, but extensive irrigation in a few areas has made it the chief wine producing region. It also grows olives and a variety of stone fruits.

Patagonia, the arid, windswept plateau in the south, is used primarily for grazing sheep. Two river valleys in the north of this region, the Río Negro and the Río Colorado, produce large quantities of apples and pears.

The heartland of Argentine agriculture is the **Pampas,** a Texas-sized grassland which extends 350 miles in a semicircle around Buenos Aires. The Pampas dominates the country's agriculture, producing more than 80 percent of the beef, 90 percent of the grains and oilseeds, and over 85 percent of total exports. Consequently, the Pampas has a profound effect, not only on the country's diet, but on its balance of trade as well.

The Pampas is characterized by deep, black, chernozem soil—some of the richest in the world. Precipitation divides this region into humid and semiarid zones. The semiarid zone, which takes up the western third of the Pampas, has an average annual rainfall which varies from 18 to 31 inches and a growing season which ranges from 190 to 245 days. Scarce rainfall—half of the years on record have been drought years—and the shorter growing season in its southern portion make this zone suitable chiefly for small grains and livestock. Barley, oats, and rye, as well as wheat, are grown as dual-purpose grains which can be sold as a cash crop in good years, or used as winter forage for livestock in drought years.

The humid zone of the Pampas takes up the eastern two-thirds of the region. Annual rainfall varies from 25 to 40 inches while the growing season ranges from 240 to 335 days. With greater rainfall and a longer growing season, the eastern Pampas can support much more varied agriculture than the cooler, drier west.

The eastern zone of the Pampas has several local agricultural production patterns. The southern area, extending from Bahia Blanca to Mar del Plata, is devoted to wheat, flaxseed, and other small grains. The east central area is characterized by very flat land with poor drainage which prevents the cultivation of most crops. It is mainly limited to natural pastures that are suitable for sheep and cattle production. The midwestern area supports cattle and forage crops, mainly alfalfa and small grains. The northern area is the major production area for corn, sunflowerseed, grain sorghum, and flaxseed. The area surrounding Buenos Aires is dominated by dairy and truck farms which supply the capital city with fresh dairy and vegetable products.

Historically, agricultural production in the Pampas has reflected the competition for land between crop and livestock enterprises. Total acreage planted in crops increased dramatically from the turn of the century until the late thirties; at that time, livestock operations began to expand, thus increasing competition for available land.

Flock of sheep grazing on the dry land of Patagonia in the south.

Cutting sugarcane near Tucumán in the Northwest.

Quebracho logs being hauled away in Northern region.

Tomato seedlings shaded on truck farm near Buenos Aires.

This competition for land was a product of Argentina's extensive agriculture. Because of the large land area under natural pastures, the relatively low cost of land, and the sufficient labor supply, increases in demand for crops were met by increases in acreage. Yields remained stable with little improvement of cultivation practices and only minor use of fertilizer.

As the Pampas reached a balance between cropland and pastures, new factors influencing production trends came into play. Until the 1930's, the Argentine Government had maintained an open market policy, and Argentine agriculture reacted favorably to a strong world demand for grains and flax by steadily increasing acreage and production.

When export demands declined during the depression years of the thirties, the Government was forced to set up marketing controls to manage the surpluses which developed. Minimum producer prices were established and grains were exported by Government marketing agencies. Such an arrangement caused reduced growth in crop production compared to previous years. Growth was further impaired by shipping blockages during World War II.

When trade resumed in world markets in the postwar years, grain production should have regained some of its former momentum. Recovery was impeded, however, by the Peron administration, elected in 1946, which set out to industrialize the nation. The Argentine Trade Promotion Institute (ATPI) was set up to buy all domestically produced grains at low support prices and to sell on the high world markets. Profits from these transactions were used to industrialize Argentina's economy; capital was thus transferred from agriculture to other sectors.

Such policies provided little incentive to farmers. Acreage planted in grains decreased substantially, thus depressing Argentine agriculture and contributing to heavy migration from rural to urban areas. These trends continued until Peron's departure in 1955.

Livestock numbers, principally cattle, have fluctuated cyclically. Cattle numbers rose in the late thirties and early forties, then held steady through the middle sixties. Since then, there appears to have been an increase.

Since the early fifties, crop production in the Pampas has trended upwards. By the late sixties, it had reached the level attained in the thirties. Grain production increased dramatically—particularly in the 1965-70 period—primarily as a result of increased corn and grain sorghum plantings. Annual oilseed production rose from an average 1.4 million tons in 1950-55 to 2.0 million tons in 1965-70.

Because of encroaching urbanization and increases in per capita income, exportable supplies have not reached their previous high levels. Another factor involved in reduced exports has been the change in crop mix, particularly the introduction of grain sorghum as an alternative crop.

Argentina's future as a major agricultural exporter depends on many factors —weather, markets, and policy, to name a few. Yet despite these uncertainties, a great potential—the rich soil of the Pampas—remains, and could again boost Argentina into a more important role in world trade.

Foreign Exchange Policies Influence Argentina's Production

By DONALD W. REGIER
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Grain exports get favorable exchange rate.

In the wake of recent worldwide foreign exchange adjustments—while public attention focused mainly on the strong economies of the United States, Western Europe, and Japan—events in Argentina have offered instructive insights into the stresses bearing on smaller economies.

A month after the United States suspended gold-dollar convertibility, Argentina returned to essentially the same system of exchange controls that were in effect 15 years ago. Full exchange controls, which took effect September 17, 1971, required commercial banks to turn over their foreign exchange positions to the Central Bank—thus relegating them to the role of state agents in such matters.

Currently, a three-market structure handles foreign exchange transactions:

• Commercial market: Transactions are limited to negotiation of the proceeds from exports and imports. The exchange rate is rigidly pegged to the U.S. dollar at the rate of Arg$5.00=US$1.00.

• Financial market: Transactions were originally limited to financial matters (loans and repayments, principal, interest, commissions, and tourist expenditures). Exchange rates are freely floating against the dollar: rates of Arg$9.50 to Arg$9.80=US$1.00 have been typical quotations since January—a devaluation of over 90 percent compared with the official commercial rate.

Financial exchange, however, has been used increasingly for export transactions. Immediately after August 15, 1971, export transactions were negotiated 100 percent in the commercial exchange market; the proportion was subsequently changed to 90 percent commercial and 10 percent financial; later, the ratio was changed to 80 percent commercial and 20 percent financial. The mixing proportions vary from commodity to commodity and have been changed several times.

By allowing increasing amounts of export transactions to be negotiated in the financial market, the Government has effectively allowed a major—though concealed—devaluation of the Argentine peso.

For example, if an Argentine exporter sold US$200 of goods to an American buyer, and if the sale were made with 100-percent commercial exchange (with the fixed rate of Arg$5.00=US$1.00), the exporter would receive Arg$1,000 (1,000 pesos) for his goods.

If the sale were transacted 90 percent in commercial exchange and 10 percent in financial exchange (which typically has an exchange value of about Arg $9.75=US$1.00), then for the first US$180 the exporter would receive the commercial rate, Arg$900; for the remaining US$20 he would receive the financial rate, or Arg$195. His total local currency receipts would be Arg-$1,095 or 95 pesos more than he would have received under the 100-percent commercial rate. This amounts to a 9.5-percent implicit increase in the peso price of the dollar.

If the sale were transacted 80 percent in commercial exchange and 20 percent in financial exchange, the terms would be those which apply at present to "traditional exports," including most grain and meat. The exporter would then receive even more pesos for his US$200, a total of Arg$1,190—a 19-percent increase in the peso price of the dollar. A rise in the peso price of the dollar is devaluation of the peso.

In the particular case of US$200 of cooked frozen beef now being exported at 60:40 percent commercial to financial exchange (and the dollar at Arg-$9.75), the exporter would receive Arg-$1,388—a 39 percent increase over the proceeds from a purely commercial market transaction.

• Parallel market: Although not explicitly established by law and regulation—indeed, in spite of being outlawed since December—this market appeared in practice following the establishment of rigid eligibility rules for inclusion of exchange transactions in either commercial or financial markets. It is conducted outside—or parallel to—the recognized markets and has now become a black market.

Complementing the exchange control system, Argentina has used a set of foreign exchange taxes which are collected by the Central Bank. When devaluation creates windfall profits for some parts of the exporting community, their foreign exchange taxes are increased. Since these taxes are commodity-specific, they can be used to restore equity of profit levels among all branches of the exporting business. Further adjustment of business profits is undertaken through subsidies. Along with foreign exchange rates, these taxes and subsidies are subject to frequent adjustment in order to conserve normality of business profits.

Controls, hidden devaluations, and unofficial exchange markets are only symptoms of economic ills suffered by Argentina even before the world monetary events of August. During 1971, the post of Minister of Finance changed hands two times while the presidency of the Central Bank changed 3 times.

Eventually the Ministry of Economy itself was abolished.

The somber situation in 1971 is a striking contrast to the bright outlook in 1968 and 1969. During those years, inflation had been held to the lowest levels in years while investment conditions were good and capital flowed in from abroad. Several years of measured growth had helped amass unusually high exchange reserves, up to US$760 million at the end of 1968.

Exports were at record levels and projections of continued growth were based on expansion of nontraditional exports. Meat exports, at unusually high levels, were the basis of optimistic projections of exports. Some concern, however, was voiced for the financing of meat exports and the burdens of risk borne by meat producers; upward wage pressures were strong.

Despite these forebodings, the expansion involved an optimism about growth. A program of massive infrastructure investment was implemented. Domestic resources, along with those of the World Bank and the Inter-American Development Bank, were mobilized to extend and improve highways, complete the vehicular tunnel beneath the Paraná River connnecting the cities of Santa Fe and Paraná, bridge the Paraná further downstream at Zárate-Brazo Largo, connect Argentina and Uruguay for the first time by bridges over the Uruguay River, and expand various hydroelectric and thermal-electric power installations.

As these plans were implemented, however, meat production slumped and export earnings began to dwindle. A decline in meat exports and an impending shortage of marketable steers and heifers necessitated a ban—from March to October 1971 onward—on domestic marketing of beef and slaughter cattle for alternate weeks.

Loss of export revenues created an imbalance in economic development plans. Recession followed, accompanied by accelerated inflation—over 35 percent in 1971. Capital flight accelerated the loss of foreign exchange reserves. The value of the peso was undermined and the Government resorted to a "crawling peg" (or mini-devaluation) approach to exchange rate adjustment. From Arg$3.50 in January 1970, the peso price of the dollar went to Arg$4.70 in July 1971, just before creation of the two-tier exchange market.

Financial crisis in the meat industry was matched in the entire domestic business sector. Some of Argentina's largest business firms had serious financial difficulties in 1971, including Siam di Tella, Ltda., largest domestically owned manufacturer of machinery and household durables; Swift de la Plata, S.A., and Frigorífico Anglo, S.A., two major international meat processing and exporting firms; and SEGBA, one of two major power producers.

At this point, business confidence is understandably low; however, meat production and exports are picking up, and prospects for growth in this commodity area are expected to improve. A cattle cycle is discernible in which a financial pinch, caused partly by national economic policy, brought on these results: A high rate of slaughter, 1968 through mid-1970, with a sharp peak in 1969; partial liquidation of herds; withholding of cattle from market for herd replenishment—thus accentuating the beef crisis of 1971; and gradual increases from a low level of production now underway.

Such a cycle has occurred in the past.

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Problems Curb Argentina's Vast Agricultural Potential

By DIANE B. ELLISON
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Argentina has traditionally been one of the leading exporters of agricultural commodities—especially of livestock products and wheat—and has become an important importer of technology and equipment. However, this enormous agricultural potential has been frustrated by the continued escalation of many internal problems, both political and economic. Recent agricultural difficulties have seriously threatened Argentina's position in world trade.

Stagnating agricultural production, frequently accentuated by erratic weather conditions, has been at the heart of many Argentine problems. Agriculture directly contributes about 12 percent to the Gross Domestic Product (GDP), but its total impact is considerably higher since almost all processing industries and exports are agricultural. Unusually low output of both meat and wheat led to sharply reduced exports of these crucial foreign exchange earners in 1971. The resulting trade deficit, coupled with a strong outflow of capital, caused a serious balance-of-payments deficit.

Only unusually high beef prices kept the value of exports from declining disastrously. Beef exports decreased 34 percent in volume in 1971, but only 2 percent in value. To help curb the dwindling of foreign exchange reserves, the Government began "crawling peg" devaluations of the peso and later adopted a dual exchange rate system. Inflation rose nearly 40 percent in 1971, but the Government hopes to hold the rate to 25 percent in 1972.

The great potential of Argentina includes both human and natural resources. The natural fertility of the land and the availability of technology are extremely important assets. The population of approximately 24 million is highly urbanized and largely literate, although the one-fourth living in rural areas has a limited access to education. The population growth rate of 1.2 percent per year is one of the lowest in Latin America.

Government policy. In recognition of its problems, Argentina has taken corrective steps in hopes of putting itself on the road to economic development. General Alejandro Lanusse, who assumed full executive authority in May of 1971, raised the Department of Agriculture and Livestock to the status of a ministry shortly after assuming office. Representatives of the rural sector had repeatedly urged that agriculture be increased in authority. This move abolished the Ministry of Economics and created three new ministries in addition to Agriculture: Industry, Commerce and Mining; Labor; and Treasury and Finance.

The National Five-Year Development Plan (1971-75) was adopted in May with an 8-percent annual growth rate as its goal. Under this plan production and exports are to increase, while unemployment is to decrease. More effective land taxes are to result in more efficient use of land.

On December 3, 1971, President Lanusse announced an Economic Plan to be in effect through May 1973, when democratic elections are scheduled to be held. Some of the objectives of this plan, formulated to overcome specific problems in the economy, are to:

- Achieve a satisfactory growth rate with a limited rate of inflation,
- Reduce unemployment,
- Limit the fiscal deficit,
- Achieve a positive balance-of-payments position,
- Promote exports, both traditional and nontraditional,
- Unify export taxes,
- Maintain real wage levels,
- Spur investment and savings, and
- Promote production of import substitutes by tariff protection.

In an attempt to control the rise in the cost of living, a price freeze was instituted in September 1971. Raw agricultural products were not included. Several adjustments have since been made, allowing cost increases to be passed on in the selling price. For example, when costs of imported materials increase, the price of the finished product may be raised. In hopes of raising real wage levels, wage increases of 15 percent became effective in January 1972, and another 10-percent increase is to take place in July. A rate increase for public services has also been announced.

"Buy Argentine" legislation was instituted in December 1970 to slow down and regulate foreign investment. This law is intended to direct the available purchasing power of Argentina in favor of national industries and local enterprise. Materials and products of national origin are to be bought rather than foreign items. The internal credit market has been tightened up for foreign firms, freeing domestic capital for local companies. Foreign investment in Argentina is still welcome, but more selectively.

In response to the deteriorating balance-of-payments position, luxury imports were suspended in July for a year. This ban included several food products, cigars and cigarettes, various preserved and prepared foods, and cereal-based products. In September, all imports were suspended.

The ban was modified toward the end of September. Imports from LAFTA were allowed for items on which Argen-

Grain sorghum in the Pampas zone. Drought has cut export supplies.

tina had granted concessions; this amounts to about $300 million of a total annual import potential from LAFTA of $400 million. Also, exemptions were considered for all companies claiming to be gravely affected.

Although the import prohibition was maintained for luxury items, most of the remaining ban on imports was rescinded on November 1, 1971—with the following clarifications:

- Imports by the private sector were again allowed.
- Imports by the public sector were allowed only when authorized by the Ministry of Industry, Commerce and Mining.
- A surcharge of 15 percent was applied on all authorized imports. The developing countries of LAFTA—Bolivia, Ecuador, Paraguay, and Uruguay —were soon exempted from the surcharge, and it was later lifted on imports of capital goods for basic industry. This surcharge was to be phased out over the early months of 1972.

Several measures were adopted to stimulate exports, especially meat and meat products. An export incentive program provided exporters with rebates of between 5 and 30 percent of the f.o.b. value. Certain meat, edible offals, and meat products received 5 percent; specified manufactured food products and leather, 10 percent; and leather manufactures, 22 percent.

Trade with the United States. Despite these trade restrictions, Argentina's agricultural imports from the United States increased 111 percent through November 1971 over the same period in 1970, reaching $9.7 million. Much of the increase resulted from larger shipments of a few items: the need for edible tallow increased because of limited supplies in the local market due to reduced cattle slaughterings; larger imports of alfalfa seed were needed because of aphid attacks on local varieties.

Imports of other seeds for planting, hatching eggs, and upland cotton also increased. Imports of cotton were authorized at a reduced duty rate—10 percent instead of 60 percent—in order to supplement the short supply of cotton, especially higher quality fiber. These five items accounted for 65 percent of the total value.

In 1972, heavier weights in cattle marketed for export may reduce the need for inedible tallow, and increased cotton production may lower the requirement for cotton. However, imports of hatching eggs to be used in expanding broiler production and seeds for planting will undoubtedly increase.

Argentine agricultural exports to the United States decreased around 9 percent in the first 11 months of 1971, from $110 million for the same period of 1970. The decrease in volume of beef products and wool exported, caused by short domestic supplies, accounted for much of the decline.

Exports to the United States of a few commodities were up sharply through November 1971: corn seed (up $667,000 to $2.7 million), apple and citrus juices (up $326,000 to $2.8 million), and casein (up $2.6 million to $3.4 million). Sugar exports to the United States decreased slightly in 1971, but are expected to increase in 1972. Some increase is expected in total agricultural exports to the United States as cattle marketings improve.

The United States had an unfavorable balance of trade in agricultural products with Argentina of around $90 million through November 1971. However, this is an improvement of $15 million in the trade balance over the corresponding period of 1970. The unfavorable balance of trade is expected to increase in 1972.

The expanding fruit industry. One of the bright spots in the Argentine export picture is the fruit industry. Production of all types of citrus fruits has trended upward in recent years; record crops occurred in 1970 and again in 1971, bringing supplies into export availability. This is the first year since the early 1960's that fresh citrus fruit has been exported in quantity; previously, domestic demand took all of the fresh fruit available. Trade sources estimated that export shipments of oranges, lemons, and grapefruit may have reached 750,000 boxes (22 kg. each) in 1971, and may exceed this amount in 1972.

A record year occurred for juice concentrates and essential oils with total export value reaching $5 million. Through November 1971, exports of apple, orange, and citrus fruit juices to the United States increased to $2.8 million, up from $325,000 for the same period of 1970. Total exports of all deciduous fruit but pears through October 1971 exceeded exports for the same period of 1970. The 10-percent export tax on fruit was removed in 1971. Processed fruit and nuts were also exempted.

Argentina is a leading supplier of deciduous fruits to Brazil. Apples and pears are admitted duty-free by Brazil from its LAFTA partners. Historically, high duties have hindered U.S. participation in the Brazilian apple and pear market during Argentina's off-season. After intensive negotiations, Brazil granted a temporary duty concession on U.S. pears for the final 4 months of 1970, but has not granted one on apples. Efforts to renew the concession in 1971 were unsuccessful.

Argentine exports of apples to Brazil increased from around 4.1 million boxes

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EC-Argentine Agreement Suggests Future EC Ties With Latin America

By ROBERT G. HARPER
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The first trade agreement between the European Community and a Latin American country went into effect January 1—a 3-year pact with Argentina which modifies the Community's variable levy treatment of frozen and chilled Argentine beef. The agreement is expected to have little impact on U.S. trade with either the Community or Argentina, but it is significant as a likely prototype for future EC agreements in Latin America.

The Community had previously agreed in the GATT (General Agreement on Tariffs and Trade) to admit from all suppliers of frozen beef an annual total quantity of 22,000 metric tons which would be subject only to the 20-percent duty and not to the levy (a sliding-scale import charge designed to keep foreign offer prices above an administratively determined domestic price). This quantity is small compared with total frozen beef imports into the Community, which amounted to 186,500 metric tons in 1970.

The agreement with Argentina obliged the Community to exclude bone weight in reckoning imports of frozen beef against this 22,000-ton levy-free tariff quota. The Community considers 100 kilograms of boned meat to be the equivalent of 130 kilograms of meat on the bone. However, Argentine suppliers, for reasons unconnected with EC levy practices, normally bone about three-fifths of the frozen beef they ship to the Community. Since the EC concession affects only that part of Argentine frozen beef going to the Community with the bone in, the impact of the concession is relatively limited.

Since the agreement went into effect, the Community has announced the suspension of the levy on frozen beef for immediate consumption because the world price, especially Argentina's export price, is relatively high. This suspension can be lifted whenever the Community wants to do so. While it is in effect, though, Argentine exports exempt from the levy will be unlimited and not counted against the quotas, which will remain as a reserve after the suspension ends.

The Community's practice on frozen beef for processing use, which enters over and beyond the 22,000-ton levy-free tariff quota, has been to suspend all or a large proportion of the levy that would otherwise apply, although the duty continues to apply. At present, the levy is entirely suspended on this frozen beef for processing, although different levels of suspension are established quarterly.

In its agreement with Argentina, the Community agreed to fix the level of levy suspension so that the applicable levy will not be greater than 55 percent of the entire levy, although this provision may be suspended after consultation with Argentina if it results in market disturbance in the Community.

For chilled beef—on which there is a 20-percent customs duty and a variable levy, but no levy-free tariff quota—the Community has established procedures such that the required levy payment will not be greater when the beef arrives in the Community than it was calculated to be when the beef left Argentina. This provision, too, is subject to a market-disturbance escape clause.

In order for the agreement to meet the most-favored-nation provisions of the GATT, its levy modifications for frozen beef and its special arrangements for chilled beef in transit must apply to all other GATT members as well as to Argentina.

Argentina, for its part, agreed to maintain adequate and regular deliveries of beef to the Community and to exchange information through a mixed commission. This commission has already met once, at the request of Argentina. Argentina also agreed to reduce, gradually, prior import deposits on products which the Community exports to the extent that doing so does not adversely affect Argentina's efforts to deal with its balance-of-payments difficulties.

Hereford cattle. When beef herds are rebuilt, exports may rise.

EC IMPORTS OF FROZEN AND CHILLED BEEF

Kind and year	Total		Argentina		Uruguay		Yugoslavia		Denmark		United States		Other	
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
Frozen:	*Mil. dol.*	*Percent*	*Mil. dol.*	*Percent*	*Mil. dol.*	*Percent*	*Mil. dol.*	*Percent*	*Mil. dol.*	*Percent*	*Mil. dol.*	*Percent*	*Mil. dol.*	*Percent*
1970	138.9	100	[1] 84.4	61	18.3	13	0.6	—	1.1	1	0.1	—	[2] 34.4	25
1969	105.7	100	65.8	62	11.0	10	.4	—	2.8	3	.1	—	25.6	25
1968	74.8	100	48.4	65	6.7	9	.4	1	3.2	4	.1	—	16.0	21
1967	106.3	100	82.6	78	3.0	3	.3	—	1.9	2	.1	—	18.4	17
Fresh or chilled:														
1970	179.4	100	24.4	14	2.6	1	35.0	20	47.0	26	.1	—	[2] 70.3	39
1969	164.2	100	13.4	8	.9	1	20.8	13	61.3	37	.1	—	67.7	41
1968	146.7	100	5.0	3	1.6	1	38.6	26	53.4	36	.1	—	48.0	34
1967	195.8	100	13.6	7	.2	—	54.6	28	54.7	28	.1	—	72.6	37

[1] In 1970, about three-quarters of the value of frozen beef imports from Argentina were boneless pieces. [2] In 1970, the principal "other" suppliers of frozen beef were Brazil ($23.3 million) and Romania ($4.6 million). The "other" suppliers of fresh and chilled beef were mainly eastern Europe ($41.8 million) and other Scandinavia ($13.3 million).

The Argentine Government had sought an agreement with the European Community since early 1969. Its efforts reflect in part a response to higher trade barriers in the Community and in part a response to the curtailment of Argentine beef sales in the United Kingdom—traditionally Argentina's best customer—which temporarily prohibited imports of Argentine beef after an outbreak of foot-and-mouth disease in 1968 and again restricted imports in 1969.

As a precursor to the orderly marketing arrangements which the new agreement provides, Argentine exporters established uniform prices for sales to Europe in January 1970.

Argentina normally exports about a quarter of its beef production. Over the past several years, its share of the world market for fresh, chilled, and frozen beef has been roughly 20 percent.

A strong export demand in 1970, together with a continued high level of domestic consumption, pushed Argentine beef prices up. As cattle prices rose and beef supplies fell, most of the large packers curtailed or entirely suspended slaughtering for export (the high cattle prices could be passed on to domestic consumers). Exports reached a low point around February 1971. Cattle herds are being replenished, but significantly larger marketable supplies are still a year or more away.

Argentina has been a major supplier of frozen beef for the EC market in recent years, and an increasingly important supplier of chilled beef. The accompanying table shows EC imports of fresh, frozen, and chilled beef from Argentina, as well as other major suppliers and the United States, in recent years.

Although the EC-Argentina agreement is the first in Latin America, the Community had previously signed agreements on beef with several non-EC European countries. Since April 1970, Yugoslavia has had modified variable levies on shipments of some types of fresh and chilled carcasses and quarters, as well as live cattle. Denmark and Austria have also been granted reduced duties and levies on cattle destined for immediate slaughter for processing uses.

The Community has also held exploratory talks with the Government of Uruguay. Although no agreement has yet been signed, an agreement similar to that with Argentina (but possibly also calling for EC tariff reductions on certain wool products) will probably be signed.

Last October, Ralf Dahrendorf, the EC Commissioner responsible for foreign relations, spent 2 weeks in South America talking to leaders of national governments and of the Andean Pact, a regional economic group comprising the countries along the western coast of South America.

He found Community prestige in the area at a new high due to initiation (on July 1, 1971) of the Community's system of generalized tariff preferences. This system, which includes all industrial products, obviated the need to cover such products in the agreement with Argentina. The Community's generalized preference program for agricultural commodities is limited, but includes tariff reductions on certain animal fats and oils and on crude glycerine—all of which are of export interest to Argentina.

During Dahrendorf's visit, Andean Pact authorities suggested that liaison offices be opened in Brussels and Lima; the governments of Brazil and Peru also expressed interest in agreements with the Community. Dahrendorf, in his speeches, emphasized the importance of consultations.

Back in Europe, at an Ibero-American businessmen's dinner in Hamburg, Dahrendorf said that the Community's development policy for Latin America must be expanded in the areas of technological and financial assistance. He cited as a basic problem for the Community that it has heretofore not been in a position to conduct a global trade policy with nonassociated countries that would comprehend all aspects of economic cooperation. He called for better coordination among the Community Member States and between measures undertaken by the national states and those undertaken by the Community.

The EC-Argentina agreement will probably be the harbinger of a greater Community presence in Latin America, and this improvement in relations will be more significant than any trade effects of the agreement itself.

Argentine Beef Prices

(Continued from page 6)

a composite rate which yields fewer pesos, although it is above the offiicial rate.

In addition, there are export taxes ranging from zero on hindquarter cuts to 15 percent on manufacturing type meat based on an index value roughly equal to 80 percent of the f.o.b. value of the product.

As recently as last November many observers of the Argentine beef situation expected production to reach more normal levels in 1972, forecasting slaughter at 11 million to 13 million head. A 12-million-head slaughter would yield about 5.6 billion pounds of beef and veal—22 percent above the 1971 total and only 3 percent below that of 1970. Deliveries were up during January and early February and forecasts for 1972 slaughter currently are expected to reach 11 million head.

The cattle inventory increased during 1971 from 48.4 million head in June 1970 to 49.8 million a year later. When beef prices are rising and the outlook is for higher rates of return in cattle operations, cattlemen tend to invest in their herds by reducing slaughter and withholding cattle from market.

Steer prices at Liniers averaged 43 percent higher in December 1971 than in the same month a year earlier. Further, price increases of January indicate a sufficient motive for Argentine cattlemen to hold back deliveries of cattle for slaughter. This tendency is further influenced by inflation as cattle also have become an important investment.

There still is a great deal of uncertainty in the Argentine beef situation and it will take time for recent Government measures to become fully effective. Thus, it would be premature to forecast the speed with which the expected recovery will come about. The domestic market and its current needs seem to have the highest priority. Increasing supplies of beef and veal in other parts of the world are offsetting the drop in Argentine export availabilities, but demand appears to be outrunning these additions to the world supply. Thus, world prices probably will remain at present high levels for some time.

Meat producers' corporation readies carcasses for export. At present, export supplies are low.

Problems Curb Vast Farm Potential

(Continued from page 14)

from January-October 1970 to 4.4 million boxes for the same period of 1971. Argentine pear exports to Brazil decreased from 965,000 boxes in January-October 1970 to 725,000 boxes in the corresponding period of 1971.

Brazil purchased approximately 44 percent of the volume of Argentina's total fruit exports in 1971 through October. Other important markets included the Netherlands (21 percent), the United States (10 percent), West Germany (10 percent), Sweden (8 percent), and Norway (5 percent).

The prospect is for continued expansion of production and exports of fresh and processed fruit.

Outlook. Traditional Argentine export commodities are expected to continue in short supply in 1972. Weather contributes to this outlook; a drought during the 1971-72 crop season sharply reduced grain crops, especially wheat, corn, and sorghum. Their reduced export availability will hurt the Argentine competitive position vis-a-vis the United States for these crops. In addition, no immediate significant improvement is expected in meat production and exports.

Foreign exchange earnings will therefore continue at a low level and thus, in spite of its considerable potential, the Argentine economy will probably continue to face some serious problems in the near future.

Foreign Exchange And the Economy

(Continued from page 12)

The prospects are good for beef production to grow from the low point of the present. But growth will likely be gradual over the coming year or two and then gain more rapidly. In the immediate future, with the financial stimulus generated by devaluation of the peso—provided inflation does not erode this advantage—Argentina should have no trouble exporting all the beef it can spare from domestic consumption.

The accompanying chart shows the evident close association between foreign exchange rates and domestic prices. The value of the Argentine peso is shown from two viewpoints—foreign and domestic—since rising domestic prices measure the declining value of money. Inflation is sweeping both curves along together. The devaluation now being carried out is compelled by the processes eroding the peso's domestic value.

Argentina's competitive position in international trade has been undermined by the financial crisis of the past 2 years. Peso devaluation is part of the process of restoring balance to the domestic economy and profitability to export activity. The basis is being laid for Argentine exports to return to former high levels. To move beyond accustomed levels will, however, require more stringent measures.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Apr. 19	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.00	+2	[1] 1.98
USSR SKS-14	1.87	+1	1.93
Australian FAQ	([2])	([2])	1.83
U.S. No. 2 Dark Northern Spring:			
14 percent	1.89	0	1.99
15 percent	1.96	−1	2.02
U.S. No. 2 Hard Winter:			
13.5 percent	1.81	+1	1.94
No. 3 Hard Amber Durum	1.83	+1	1.88
Argentine	([2])	([2])	([2])
U.S. No. 2 Soft Red Winter	([2])	([2])	1.78
Feedgrains:			
U.S. No. 3 Yellow corn	1.46	+2	1.70
Argentine Plate corn	1.72	0	1.70
U.S. No. 2 sorghum	1.50	0	1.44
Argentine-Granifero sorghum	1.51	−1	1.42
U.S. No. 3 Feed barley	1.21	−1	1.36
Soybeans:			
U.S. No. 2 Yellow	([2])	([2])	3.24
EC import levies:			
Wheat [3]	[4] 1.67	−1	1.54
Corn [5]	[4] 1.10	0	.87
Sorghum [6]	[4] 1.09	−1	.99

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

FRUITS, NUTS, AND VEGETABLES

Larger Australian Dried Fruit Pack

Australia reports a near-record 1972 dried fruit pack. Production is estimated at 117,700 short tons, 61 percent above the short 1971 crop of 73,000 tons.

Australian vineyards grew a bumper crop following the light harvest in 1971, and production of raisins and currants is estimated at 95,000 tons of sultanas and 8,400 tons each of lexias and currants. Harvest weather conditions were ideal, although earlier rains during January-February caused slight losses, mainly confined to the currant crop. Quality is reported excellent, and the bumper crops caused a shortage of drying rack space and sweat boxes. Winery demand for raisin variety grapes was negligible because of the large crop of wine variety grapes.

Production of dried tree fruits was below both that of 1971 and the 1965-69 average. Dried prune production is estimated at 3,100 tons. Prune trees bloomed well; subsequent shedding and damage from January-February rains, however, reduced production. Quality is reported excellent. Dried apricot production totaled 2,200 tons. Rains seriously damaged apricot quality, and sulfuring was a problem under the humid conditions.

Dried fruit exports are expected to recover from last year's slump caused by the poor 1971 sultana harvest. The 1971 exports of sultanas and lexias totaled 47,500 tons and 2,000 tons, respectively, drawing down carryover stocks to low levels.

Exports of currants and prunes were higher than in 1970 Currant exports totaled 4,600 tons. Prune exports totaled 1,400 tons of dried prunes and 11,000 cases (basis 24/2½'s) of canned prunes. The United Kingdom is the major market for raisins. West Germany was the largest market for dried prunes and Canada for currants. New Zealand and Jamaica are the principal markets for canned prunes.

AUSTRALIAN PRODUCTION OF DRIED FRUIT

Item	1969	1970	1971 [1]	1972 [2]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Raisins:				
Sultanas	44.7	90.4	49.6	95.0
Lexias	4.4	4.0	5.6	8.4
Total	49.1	94.4	55.2	103.4
Currants	7.6	9.1	9.0	8.4
Prunes	3.6	5.0	4.8	3.1
Apricots	3.4	2.3	3.3	2.2
Other	.6	.7	.7	.6
Grand total	64.3	111.5	73.0	117.7

[1] Revised. [2] Preliminary.

SUPPLY AND DISTRIBUTION OF AUSTRALIAN SULTANAS

Item	1969	1970	1971	1972 [1]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Beginning stocks (Jan. 1)	20.2	7.6	18.4	3.7
Production	44.7	90.4	49.6	95.0
Total supply	64.9	98.0	68.0	98.7
Exports	42.6	62.6	47.5	—
Domestic disappearance	14.7	17.0	16.8	—
Ending stocks (Dec. 31)	7.6	18.4	3.7	—
Total distribution	64.9	98.0	68.0	—

[1] Estimate.

Canada Offers Farmers Potato Diversion Program

The Canada Department of Agriculture has offered a new diversion program to potato growers in Prince Edward Island, according to a press release dated March 21, 1972. Earlier

this year, the Agricultural Stabilization Board bought potatoes to shore up sagging prices, offering Can$1.50 per hundredweight for Canada No. 1 grade in bags. The Board is offering to sell potatoes back to Prince Edward Island farmers at 15 cents per hundredweight to be used exclusively for livestock feed.

The program will be administered by teams from the Federal and Provincial departments of agriculture. Farmers who do not wish to participate in the feeding program are entitled to return the advance payment to the Board and retain control of potatoes they had committed to the program. As of March 24, the market price of potatoes was higher than the $1.50 per hundredweight stabilization price. Unless potato prices depress further, the program may engender only limited participation.

Larger Chilean Dried Fruit Pack

Chile reports a larger 1972 dried fruit pack. Production is estimated at 8,300 short tons, slightly more than the 1971 pack of 8,200 tons but slightly below the 1966-70 average.

Current season exports are forecast at 1971 levels. Preliminary reports indicate that 1971 exports totaled 2,800 tons. Exports are almost entirely prunes. Brazil is the major export market for Chilean dried fruit.

CHILEAN DRIED FRUIT PRODUCTION

Item	1969	1970	1971	1972 [1]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Prunes	5.5	5.2	5.3	5.3
Peaches	1.8	1.7	1.8	1.8
Raisins	.8	.8	.8	.8
Other	.3	.3	.3	.4
Total	8.4	[2] 7.9	8.2	8.3

[1] Forecast. [2] Total does not add due to rounding.

DAIRY AND POULTRY

Newcastle Disease Outbreak in Chile

Poultry farms in the Chilean Provinces of Santiago and Valparaiso have been affected by a serious outbreak of Newcastle disease. Small outbreaks of this disease have been reported from time to time in the past in these two Provinces but, according to poultry breeders, the present situation has been aggravated by the scarcity of vaccine.

There are no estimates on the number of birds that have died recently from the disease, but a preliminary estimate by Chile's Agriculture and Livestock Service (SAG) places mortality at around 50,000 birds in the Province of Santiago alone.

The Ministry of Agriculture has adopted several measures to bring the disease under control:

- Control the movement of birds from the affected provinces.
- Declare the Santiago and Valparaiso Provinces Newcastle-infested zones.
- Require breeders to report new incidence of the disease to SAG immediately.

The Poultry Producers Association of Valparaiso is requesting funds from the Banco Central for the importation of Newcastle vaccine from Mendoza, Argentina.

In mid-1971, earthquake damage and generally adverse weather conditions curtailed broiler and egg output by 10 to 15 percent, according to Chile's National Poultry Commission. Subsequently, Chile imported some 3,700 metric tons of poultry meat from Belgium and France to help meet domestic requirements.

TOBACCO

West Germany and France Import More Unmanufactured Tobacco

Imports of unmanufactured tobacco into West Germany and France during 1971 were considerably higher than a year earlier. The continued boost in output of cigarettes and probably some buildup in stocks from the low levels of the previous year have brought about the increased imports.

Larger clearances of unmanufactured tobacco into West Germany in the first 11 months of 1971 reflected larger imports from most major suppliers. The most notable increase was from the United States as more normal clearances in the current year reflected a substantial gain (38 million lb.) over the exceptionally low level of the previous year. Imports from Mainland China were increased to an estimated 15.5 million pounds, compared with a total of about 14 million pounds during the entire year of 1970.

Imports of unmanufactured tobacco into France in 1971 rose by 20 percent to reach a record level of 168 million pounds. The increased trade was mostly oriental leaf from Turkey and probably dark types from Argentina, Brazil, and Colombia. Imports from the United States of 8.3 million pounds were down slightly from the previous year but remained significantly above the 1967-69 average. Imports from Mainland China were less than half of the quantity taken in recent years. Heavier purchases, apparently flue-cured, were recorded from India, representing an increased trend from that source.

FATS, OILS, AND OILSEEDS

Canada To Reduce Some Oilseed Acreage in 1972

Canadian farmers intend to reduce sharply the 1972 acreage planted to rapeseed and flaxseed but they plan to maintain soybean acreage at the 1971 level, according to planting intentions as of March 15, published April 7.

The area intended for rapeseed, reported at 3.43 million acres, would decline 37 percent from the 5.48 million planted in 1971. Intended acreage would be reduced in all three of the Prairie Provinces—in Alberta, by 800,000 acres or 38 percent; in Saskatchewan, by 1.1 million acres or 40 percent; and in Manitoba, by 145,000 acres or 23 percent.

Flaxseed acreage, indicated at 1.57 million acres, was 22 percent below the 2.01 million acres of 1971. The bulk of the flaxseed is also grown in the Prairie Provinces.

Soybean acreage, all of which is in Ontario, remained unchanged from the 1971 area of 360,000 acres.

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FOREIGN AGRICULTURE

Argentina's Share of the World Wheat Market (Continued from page 4)

frequently is without spending authority with which to buy wheat, the only grain purchased under the support price scheme.

Purchases usually are limited to years of high production or to the times when millers have lacked credit and the small exportable surplus has limited exporter participation in the market. As of early March 1972, the Grain Board already had purchased slightly over 30 percent of the 1971-72 output. (For a detailed description of the Argentine grain marketing system see *Grain Production and Marketing in Argentina,* FAS M-222, December 1970.)

A major aspect of grain trade policy is the maintenance of export retention taxes, which assure that a portion of the revenue from all foreign sales is transferred to the national treasury. These taxes generally increase with each devaluation of the peso. In the past, they have been reduced when rising internal prices or an undervalued peso have rendered exports noncompetitive. However, the reductions often have taken place only after producers have disposed of their grain and surpluses have accumulated in the local market. Thus, any financial gain from a tax reduction has not accrued to the producers and, with rising prices, has disappeared by the time of the next harvest.

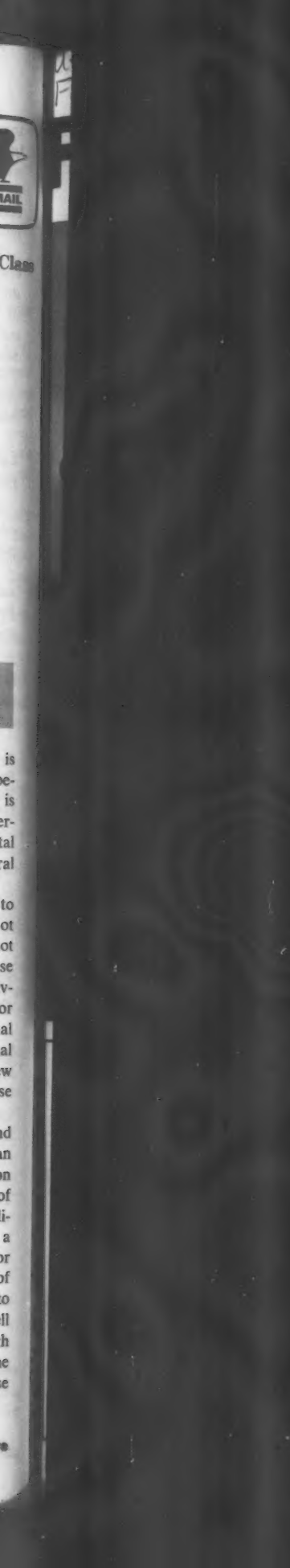
Presently, the export retention tax on wheat is 36 percent and on corn and sorghum, 37 percent. There also are several lesser taxes, totaling 5.3 percent on wheat and 4 percent on corn and grain sorghum.

The policy of maintaining export taxes on grain sales has come under attack by all rural interest groups for many years, but the system is continued because of the Government's need for revenues and a general feeling that the rural area of the economy is best able to support the national budget.

Changes in current grain policies in the near future are unlikely. The present military Government, which assumed power in 1966, has announced it will return the country to civilian rule early in 1973. Thus policies will be in flux for some time. When the civilian Government organizes itself, it probably will be heavily influenced by urban industry.

There is little doubt that Argentina has sufficient land resources to increase output of wheat along with corn, grain sorghum, and cattle. However, because inflation increases the cost of investment to the extent that borrowed capital is needed, and since in an inflationary period capital flows from a country or is invested in industries with fewer uncertainties and higher returns, the capital investment needed to boost agricultural production is limited.

The fact that Argentina's return to prominence as a wheat exporter is not indicated in the near future does not mean that wheat exports will not rise above the dismal levels of the past several years. Weather will be a major factor; if it improves, some additional wheat will be sown in the marginal western areas where farmers have few alternatives. Already farmers in these areas have lost two successive crops.

With slightly larger plantings and favorable weather in other areas, an occasional harvest of up to 7.5 million tons might be possible. A harvest of this size would boost export availabilities to about 3.5 million tons. With a reasonable stock-building policy for lean years, an occasional production of this level would enable Argentina to meet its commitments to Brazil, as well as maintain exports to other South American countries. Still, the Argentine share of world trade would not increase materially.

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